

Project Portfolio Management (PPM): The Natural Evolution of Project Management

By Systems Evolution, Inc. (SEI)

Have you ever experienced one of these project scenarios?

- Your project is two weeks behind schedule and slipping even further, because the key developer has committed to a different project.
- Your hot new project is still on the shelf because the timing for kicking it off never seems quite right.
- Your project is getting little traction, because the user community is either resistant to change or overwhelmed by the pace

If you are nodding your head in agreement with any of these examples, you are not alone. These are all signs of an organization that would benefit greatly from the evolution of project management

tools, techniques, and disciplines into the methodologies and strategies of project portfolio management (PPM).

The ability to execute this transformation successfully will depend on the maturity of the organization and the mix of PPM strategies being introduced. Some organizations are

barely scratching the surface of managing individual projects, whereas others have a well-constructed project management office (PMO) that manages a portfolio of projects with decades of collective experience built into their processes and tools.

PPM is a framework — a collection of methodologies and strategies designed to manage multiple projects effectively

and successfully. Achieving success on a single, tactical project is difficult at best without a solid foundation of tools and techniques. Yet, many organizations attempt to execute a portfolio of projects without a robust framework from which to operate. This gap — the lack of a broader discipline — highlights the need for PPM.

Closing this gap can help address the complex challenges that

every organization faces each time a new project is initiated. Let's explore the many similarities, and several important distinctions, between project management and project portfolio management. We will also consider the genesis of PPM and the assessment of organizational maturity.

“ A 2009 Standish Report revealed that failed projects are both common and expensive:

- Only 32% of projects were considered successful
- 24% (1 in 4!) were considered failures
- 44% were challenged, late, over budget, or reduced scope ”

Projects to Portfolios: Can't See the Forest for the Trees?

Although there is quite a bit of overlap between project management and PPM, there are important distinctions between these disciplines. PPM requires a broader perspective and more advanced monitoring metrics to effectively manage a host of different projects across the enterprise. Think of it another way: If project management is a single tree (Figure 1), then PPM is a forest full of trees.

Projects are finite — each one has a well-defined scope, timelines, and resources. Within the boundaries of a single project, the project manager is responsible for ensuring that tactical tasks are executed timely and that resources are used efficiently and effectively to produce a specific outcome. Good project managers are able to achieve project goals and objectives by balancing the three fundamental constraints of project management: time, resources, and scope.



Figure 1: Forest for the Trees?

The potential application of PPM is infinite for the life of the enterprise and provides the strategic methods for analyzing and managing groups of concurrent projects. Although PPM shares similar objectives and fundamentals with project management, the attention is focused on the strategic viewpoint of the organization's business and/or technological goals. These goals have to be carefully considered when addressing project prioritization/sequencing, risk/resource management, standardization, and communication.

The ultimate objective of PPM is to accurately evaluate and prioritize projects in order to maximize their contributions to company goals, and then to closely monitor their progress and performance to ensure they are successfully completed.

Some differences between project management and PPM are those of scale, specifically, tracking and managing multiple projects and their cumulative interactions of time, resources, and scope (Table 1). Other differences include being mindful of the strategic view of the enterprise and critical success factors like the organization's long-term goals, its industry vision, and the amount and type of change the executive leadership promotes and supports.

| Characteristic | Project Management | Project Portfolio Management |
|--------------------|---|---|
| Scope | Control and manage scope against project specific requirements | Select projects with scope that supports organizational goals |
| Time | Manage task due dates and dependencies to ensure project delivery | Monitor all project timelines against short- and long-term goals |
| Resources | Utilize provided resources effectively and efficiently | Monitor and manage resource utilization across the portfolio |
| Tools | Project plans, budget spreadsheets, project charters | Dashboards, resource leveling, PPM applications |
| Impact of Change | Manage change within the purview of individual project to control scope | Measure change across the entire enterprise to foster user acceptance |
| Industry Evolution | N/A | Measure and evaluate future state against industry and portfolio |

Table 1: Key Differentiators of PM versus PPM

Strengths in project management can and will support strong PPM decisions; however, strong project management discipline does not necessarily correlate with sound PPM discipline. For example, a project may be very well managed, but it may not be appropriate for the organization's long-term vision.

Additionally, communicating status and escalating risk are fundamental activities for both project management and PPM; however, PPM requires new techniques, tools, and methodologies to manage the flow of multiple projects in various states of the project's life cycle.

Organizational Maturity: Is the Forest Preventing You from Seeing the Trees?

Every organization is unique and will have different needs from both project management and PPM perspectives. Our experience shows that not all companies are ready to take the leap into PPM; this experience also tells us that there are many more companies with strong project management practices that are struggling to deliver results because they lack the strategic oversight provided by PPM.



| Infancy | Growing | Mature |
|---|--------------------------------------|---|
| Evaluate business cases for individual projects | Early Phase PMO | Established, robust PMO |
| Generic tools to track projects | Specialized PM tools | Automated PPM software tools |
| Disjointed status reporting | Standardized processes and templates | Already managing portfolios of projects |

Table 2: Project Portfolio Management Maturity Model

How do you know if your organization is ready for PPM? Many of you probably know the answer intuitively; after all, you're living it every day. But you may not know exactly how to quantify the need. For some of you: you've probably been growing in complexity and are now starting to wonder what the next steps for your organization are.

The answer, of course, depends on many factors and, an assessment is the best way to make that determination. This bears repeating: *Every organization is unique*, and finding the right mix of tools and processes is one of the keys to successfully managing a portfolio.

There are many options for implementing a PPM strategy — both from tools and process perspectives (Table 2). A relatively immature organization may benefit greatly from minor tools and process improvements. An organization growing in PPM maturity would look to standardize project management processes, including professional project

planning tools and consistent project status reporting. If your organization is fairly mature, then an automated PPM solution may be the perfect option to streamline processes and drive efficiencies within the PMO.

Every organization — from those with limited project management disciplines to those with an entrenched PMO — has the opportunity for PPM growth. Some organizations will benefit greatly from even the most basic concepts of PPM; others will require more advanced concepts to drive efficiency. There are options and configurations for your organization no matter where it sits on the maturity spectrum.

Adaptation, Adoption, and Evolution: Growing into Project Portfolio Management

A successful PPM strategy comes in many shapes and sizes. The ideal solution is wholly dependent on each organization's needs, goals, and culture. Experience shows that there are a handful of key components, which every successful PPM strategy centers on:

Change Management. The change being introduced to your organization isn't unique to PPM, but it is greatly intensified when compared with the level of change created by a single project. Every organization needs to be sensitive to the breadth, depth, and frequency of changes being implemented. Whether technology or workflow related, successfully implementing change will require strong communication, monitoring, and mediation.

Project Prioritization. Project prioritization is a natural extension of change management. Once you've determined the suite of candidate projects, these need to be properly sequenced, based on organizational impact, level of change, and contribution to return on investment (ROI). Projects must be evaluated against common, weighted criteria to determine where they fit into the portfolio mix. Some projects have easily quantifiable ROI for revenue projection or cost savings, but other projects (e.g., satisfying regulatory requirements) may not be as easily quantified; however, they should all be assessed fairly against the same baseline criteria for prioritization.

Resource Management. Enterprise resource management becomes a fundamental skill in PPM. Individual projects require project managers to use the allocated resources efficiently. PPM requires managers to evaluate resource needs across multiple projects to ensure resources are neither

over- nor under-allocated. As in all organizations, resources are not infinite, and some esoteric skill sets may be even more constrained. For this reason, resource management becomes a key factor in PPM. Resource management will provide input into both project prioritization and project evaluation.

Project Evaluation. With any PPM strategy, it is critical to evaluate projects rigorously and consistently against standardized criteria. A systematic evaluation ensures that every project is monitored against the same relevant variables: time, budget, resource utilization, project ROI, and other key performance indicators (KPIs). The evaluation process should validate that every project is showing a healthy progression toward meeting both short- and long-term organizational goals. It's important to score executing projects against the project pipeline to make informed decisions on project sequencing and even project cancellation. This seems obvious, but cancelling a project is one of the hardest decisions for an organization to make due to the sunk costs already invested.

Benefits of Project Portfolio Management

The disciplined execution of a strong PPM strategy will lead to a higher individual project success rate. Without PPM discipline, projects are arbitrarily requested and started without due diligence. PPM methodologies ensure that, first and foremost, projects align to the business and/or technological strategy for achieving organizational goals. The PPM framework then enables sound financial, business, and technological decisions using standardized tools and processes that are consistently applied.

It's hard to ignore the benefits of a PPM strategy:

- Common criteria and consistent metrics for scoring and monitoring projects will make certain that projects are prioritized to maximize organizational benefits
- Rigorous evaluation of projects against company objectives and contributions to ROI helps ensure that projects are meeting short- and long-term business strategy and technological goals
- Sharing of "lessons learned" from one project to the next benefits each new project with the collective wisdom of previous projects

- Standardization of processes, tools, and templates across projects will increase efficiency and consistent communication
- Optimized resource utilization will efficiently leverage all available resources and proactively identify resource gaps

Ready to Grow?

The evolution from project management to PPM is natural and often organic; as a result, a PPM strategy must be tailored to the specific needs and goals of an organization. A formal PMO infrastructure could prove too costly and cumbersome for smaller organizations that are only juggling a handful of related projects; however, a formal PMO may be exactly what is prescribed for large organizations that have many projects across multiple lines of business.

About the Company



Systems Evolution, Inc. (SEI) is a boutique business and technology consulting firm focused on delivering superior value to local clients in Atlanta, Boston, Cincinnati, Dallas, and Phoenix. We provide the agility, consistency and personal attention of a local partner while providing the reach and knowledge assets of a national organization. SEI provides highly valued business and technology services tailored to individual client opportunities. We support critical client needs in the areas of:

- Project Planning and Execution
- Technology Planning and Deployment
- Business Process Optimization
- Enterprise Information Management

SEI evolves as technology and business evolve, remaining on the forefront of information technology and business management. To learn more about the advantages of working with SEI, please visit us at www.sysev.com.